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Report Highlights:

Weak consumption and slack import demand will likely prevail in Japan's broiler market in 2003. Total broiler imports are forecast to fall by 2% in 2003. However, U.S. broiler imports are expected to improve following a sharp drop in 2002 due to Japanese import bans. Demand for prepared poultry products will continue to strengthen in 2003.

Includes PSD changes: Yes
Includes Trade Matrix: No
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Japan's Broiler Market and Trade Outlook 2003

Weak Consumption and Slack Import Demand Forecast for Japan's Generic Broiler Meat Market in 2003, Although Demand for Prepared Poultry Products Continues to Grow

The 2003 broiler market picture outlined in Post's 2002 annual report (JA2041) has changed little. Lethargic demand, weak price prospects for generic broiler meat, high year-beginning frozen stocks, and continued growth of imported prepared poultry products are expected to prevail in 2003.

Domestic production will likely fall due to slackening generic broiler meat demand in the retail and food service sectors. This follows a 2% production gain in 2002, the first increase in ten years, due to a number of factors including high wholesale prices, solid BSE-related demand, SPS and food safety issues in major exporters (U.S. and China), and the U.S. port lockout.

Demand for prepared poultry products is expected to remain strong, offsetting expected declines in consumption of generic broiler meat.

[Note: As per FAS reporting instructions, prepared broiler product imports are combined into the total broiler imports in the PS&D table.]

Higher Imports of Prepared Products in 2003 Will Not Be Enough to Offset Lower Imports of Generic Broiler Meat

Japan's broiler imports are forecast to fall by about 2% to 740,000 MT. An increase in imports of prepared broiler products (to 240,000 MT) will not offset a decrease in imports of generic broiler meat (to 500,000 MT). Weak consumption and high year beginning stocks are expected to slow import demand for generic broiler meat, particularly during the first half of 2003.

Imports of U.S. broiler meat are expected to improve in 2003, following a sharp drop in 2002 due to Japanese import bans (see below). Benefitting from reported improvements in food safety control measures, Chinese broiler meat is expected to regain market share lost to Thailand and Brazil in previous years.

Imports of prepared poultry products are expected to grow by 8% in 2003, catering to strong demand in Japan's growing ready-to-eat food market. China and Thailand are expected to maintain dominant positions in this market with a combined market share of over 90%.

Japan's Bans on U.S. Poultry Limit 2002 Imports

Japan's imports of generic broiler meat reached 535,000 MT (customs clearance basis) in 2002, up 2% from the previous year. Combined with prepared poultry products, total 2002 imports were 757,000 MT, a 6% increase over 2001. Despite the increase, imports from the United States dropped sharply due to Japan's bans on U.S. poultry following the detection of low-

pathogenic avian influenza. Imports of U.S. generic broiler meat dropped by 34% to 50,000 MT, causing U.S. market share to drop to 9%, a six point decline from the previous year.

Imports from China were restricted due to concerns over residue detections and subsequent testing requirements. Once the number one supplier of generic broiler meat to Japan, China's market share slipped to third (at 22%) in 2002, behind Thailand (at 35%), and Brazil (at 33%).

Japanese Broiler PS&D Table

| PSD Table | | | | | | |
|-----------------------------|------------------------|---------|-------------|---------|---------------------|---------|
| Country | Japan | | | | | |
| Commodity | Poultry, Meat, Broiler | | | | (1000 MT)(MIL HEAD) | |
| | Revised | 2001 | Preliminary | 2002 | Forecast | 2003 |
| | Old | New | Old | New | Old | New |
| Market Year Begin | | 01/2001 | | 01/2002 | | 01/2003 |
| Inventory (Reference) | 106 | 106 | 107 | 107 | 106 | 106 |
| Slaughter (Reference) | 568 | 568 | 575 | 580 | 570 | 570 |
| Beginning Stocks | 116 | 116 | 100 | 100 | 122 | 129 |
| Production | 1074 | 1074 | 1090 | 1097 | 1080 | 1085 |
| Whole, Imports | 6 | 0 | 0 | 0 | 0 | 0 |
| Parts, Imports | 704 | 711 | 750 | 757 | 700 | 740 |
| Intra EC Imports | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Imports | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL Imports | 710 | 711 | 750 | 757 | 700 | 740 |
| TOTAL SUPPLY | 1900 | 1901 | 1940 | 1954 | 1902 | 1954 |
| Whole, Exports | 0 | 0 | 0 | 0 | 0 | 0 |
| Parts, Exports | 3 | 3 | 3 | 3 | 3 | 3 |
| Intra EC Exports | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Exports | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL Exports | 3 | 3 | 3 | 3 | 3 | 3 |
| Human Consumption | 1797 | 1798 | 1815 | 1822 | 1790 | 1835 |
| Other Use, Losses | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Dom. Consumption | 1797 | 1798 | 1815 | 1822 | 1790 | 1835 |
| TOTAL Use | 1800 | 1801 | 1818 | 1825 | 1793 | 1838 |
| Ending Stocks | 100 | 100 | 122 | 129 | 109 | 116 |
| TOTAL DISTRIBUTION | 1900 | 1901 | 1940 | 1954 | 1902 | 1954 |
| Calendar Yr. Imp. from U.S. | 100 | 95 | 50 | 54 | 70 | 63 |